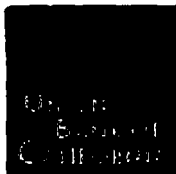


13



Stuart Lehr
SVP & Chief Compliance Officer
Independent Risk Monitoring Group
475 Sansome Street, 10th Floor
San Francisco, CA 94111
(415) 291-4780

July 18, 2002

Chief of Records
Office of Foreign Assets Control
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220
Attn: Request for Comments

Re: Notice of Proposed Rulemaking - Rules Governing Availability of Information

Ladies and Gentlemen:

Union Bank of California, N.A. (USOC) respectfully submits the following comments in response to the proposed rule regarding publication of information related to certain civil penalties.

UBOC is the second largest commercial bank headquartered in California with \$36 billion in assets and is among the 35 largest banks in the United States. The Bank has more than 250 branches in California, Washington and Oregon, an office in Texas, as well as 16 international offices. Our holding company is UnionBanCal Corporation. We are a full service commercial bank, providing a broad mix of financial services, including consumer and small business banking, middle market banking, real estate finance, corporate banking, correspondent banking and trade finance, personal and business trust services and domestic and global custody. We have a large international banking business segment with over 3000 foreign correspondent relationships.

Summary Con

We support OFAC's goal to increase awareness of enforcement activities and agree that publication of details regarding certain civil penalties could be an effective tool in that regard. However, we strongly disagree that attainment of such a goal would be accomplished by identification of the entity involved and

would argue that disclosure of this information would result in more harm than good.

General Comments:

Publication of information regarding violations, which specifically includes details regarding the sanction program involved, description of the violation and the amount of penalty would effectively heighten awareness, but we fail to see how inclusion of the name of entity involved would increase this exposure in a positive way.

The banking industry has seriously embraced its responsibility in support of the U.S. sanction program. We have spent and continue to spend millions of dollars to acquire or develop and maintain automated systems to aid in compliance and these systems have gone a long way in assisting us in this effort. Unfortunately, there is no way we can totally automate the process. As long as there are common names such as "Garcia" or "Ana" included in the list of SDNs, human intervention will be necessary to determine whether a positive match has been identified and humans do make mistakes. Even the best-trained employee working in an environment with optimum controls can be expected to occasionally make an error when processing large volumes of work. For this reason, most large institutions have accepted the fact that they will pay OFAC penalties from time to time. They closely monitor their performance, however, to ensure the incidence is rare,

When examining performance, we're afraid the general public will fail to take into account or even understand the complexities of OFAC compliance. It is highly likely that they will compare institutions based solely on their history of violations, placing those larger institutions, that happen to process bigger volumes of transactions, at an unfair competitive disadvantage. Most individuals want to deal with a company that they perceive to have a good performance record. It is reasonable to assume that OFAC compliance performance will be included in that consideration. If civil penalty information is made available to the general public.

As an example, this would place a bank, such as ours, in an extremely difficult position. Our bank is very active in international banking, and a key associated service we provide is funds transfers. On a daily basis, we process over 10,000 domestic and international funds transfers. Our viability as a bank, and U.S. commerce in general, depends upon these transactions occurring almost instantaneously, which means the transactions must be screened very quickly for potential OFAC matches. These tight timeframes, coupled with our daily transaction volume, increases our risk of error. This leaves us at a distinct competitive disadvantage with other banks, even those far larger than us that

are not similarly involved in international banking. Even if we have a better OFAC compliance program, the sheer volume of transactions puts us at a far greater risk of potential penalty and the resulting adverse public reaction. It would appear that we are not doing our patriotic, corporate duty, even though, per capita, we are performing better than other banks.

Conclusion:

UBOC encourages OFAC to proceed with its proposal to publish information related to certain civil penalties, ***provided the name of the entity involved is not disclosed***. Publication of the entity name is not necessary to heighten awareness, but publication of the remaining penalty-related information will serve as a valuable training tool for the banking industry as it may alert us to issues we might not otherwise anticipate.

We thank you for this opportunity to comment and appreciate your consideration of our views. Should there be any questions regarding our comments, or if further information is needed, please feel free to contact Margaret Silvers at (415) 291-4791 or me at (415) 291-4780.

Sincerely,

A handwritten signature in black ink, appearing to read "Stuart Lehr", with a long horizontal flourish extending to the right.

Stuart Lehr
Senior vice President & Chief Compliance Officer